



## **Commodity Futures Trading Commission**

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# **Statement**

## **Opening Statement of Chairman Gary Gensler Before the Global Markets Advisory Committee**

**December 9, 2009**

Good morning. Thank you Commissioner Sommers for chairing today's meeting of the Global Markets Advisory Committee. This is my first GMAC meeting as Chairman, and I look forward to hearing from all of the Committee members. I also would like to thank David Wright from the European Commission for being here today. Last I saw David was in Brussels where I was honored to address the European Commission's conference on over-the-counter derivatives reform. I look forward to continuing to work with David and the European Commission on a cooperative effort to bring comprehensive reform to the financial system to best protect the public.

Last year's financial crisis was global in nature, and the response also must be global. In the United States, our legislative process is in full swing. This week, the House of Representatives is debating a regulatory reform package that introduces comprehensive reform to the over-the-counter derivatives markets. The Senate will have its own bill, and the CFTC will be ready to work with both chambers to help pass the most comprehensive and effective reform possible.

Fortunately, the United States is not alone in its push for comprehensive regulatory reform of the over-the-counter derivatives markets. In October, the European Commission announced a broad agenda to reform derivatives regulation. The European Commission's plan includes many similar provisions to those being debated in Congress. The European Commission proposal includes a central clearing requirement, requires higher capital for customized over-the-counter derivatives transactions and mandates trading of all standardized products in regulated trading venues. It is encouraging that Europe and the United States are moving in the same direction regarding regulatory reform. Though we have different cultural and political circumstances, we have come together in a broad consensus on what needs to be done. Reform starts with bringing transparency to the opaque over-the-counter markets.

Economists have for decades recognized that market transparency benefits the public. If derivatives users knew what others were paying to enter into similar contracts, they

would receive better pricing on their transactions. A municipality could better decide whether or not to hedge an interest rate risk based upon the reported pricing from the broader market. Would investors buy 100 shares of their favorite stock if they were not allowed to know the last price at which those shares sold? Would you buy an apple at the supermarket if the price was kept private? While the bill before the House would subject Wall Street banks to a transparency requirement when trading with each other, those same Wall Street banks would be exempt when trading with many of their customers. As Congress continues to debate regulatory reform of over-the-counter derivatives, I believe it is critical that exemptions from mandatory trading requirements for standardized transactions be closed.

During today's meeting, I look forward to hearing the participants' views on global financial regulatory reform. Specifically, I'd like to hear the Committee's thoughts on the progress of regulatory reform both in the United States and abroad. I have heard from some of the organizations represented around this table that the United States should not reform our regulatory regime until foreign regulators reform theirs. To the contrary, I believe that if we don't act to reform our regulatory system, others will fail to act as well. I look forward to hearing Committee members' thoughts on this and other very important issues.

Again, I'd like to thank my fellow Commissioners and Global Markets Advisory Committee members for participating in today's meeting. I look forward to learning from the presenters and having a good dialogue on the most important issues facing global financial regulatory reform. Thank you again Commissioner Sommers for calling this meeting.